

SUBJECT: Adoption of section WMC 6.04.025, Stabilization of Funds

PREPARED BY: Finance

DATE: November 13, 2000

FOR AGENDA OF: November 27, 2000

SUMMARY:

This ordinance sets up a policy to ensure that city will maintain fund balances and retained earnings at levels sufficient to maintain the city's creditworthiness and to provide financial resources for unforeseeable emergencies. Having a stable fund balance will also allow the city to react to adverse changes in economic conditions and provide the city's Administration and Council with the flexibility to respond to unexpected opportunities that may help the City achieve its goals and objectives.

The Finance Department recommends a target for the City's undesignated fund balance in the General Fund to be between 50 and 60 percent of the current year's budgeted operating expenditures plus current year general obligation debt service. The reason for setting this target at that level is due to the fact that the City of Wasilla depends heavily on one source of revenue to fund general government operations. Sales Tax revenue is over eighty percent of the General Fund's total revenue.

Without a stable fund balance and retained earnings in the enterprise funds, the City of Wasilla's expenditure budgets and level of services would be directly tied to the city's economy. With a guaranteed stable undesignated fund balance and retained earnings, the City would be able to address short-term unanticipated economic downturns without drastically cutting citizens services.

Other benefits of a stable fund balance would include: 1. A higher degree of cash solvency, 2. an ability to respond to new service challenges without an undue amount of financial stress, and 3. an ability to earn more revenue on investments due to the fact that the city could invest in longer-term maturity investments.

FISCAL IMPACT: No Yes, amount requested: \$ Fund:

RECOMMENDED ACTION: Introduce ordinance and set for public hearing.


Reviewed by: SARAH PALIN, Mayor

Presented with: Ord 00-60
Date: 12/11/2000 Verified by: Dr.

Attachments: Ordinance 00-60